GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Fiscal Note

BILL NUMBER: House Bill 117 (Fourth Edition)

SHORT TITLE: NC Competes Act.

FISCAL IMPACT

($ in millions)

☑ **Yes** ☐ **No** ☐ **No Estimate Available**

State Impact	**FY 2015-16**	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**
General Fund Revenues:	Partial Estimate Available. See Assumptions and Methodology.				
General Fund Expenditures:	Maximum liability $900M through FY 2031-32; Potential liability based on program experience ranges from $281M to $739M. See Assumptions and Methodology & Attachments				
Special Fund Revenues:	Potential $3.6M through FY 2031-32. See Assumptions and Methodology & Attachment				
Special Fund Expenditures:					
NET STATE IMPACT	**See Assumptions and Methodology & Attachments**				

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:
Department of Commerce

EFFECTIVE DATE: When the bill becomes law.

TECHNICAL CONSIDERATIONS:
None

BILL SUMMARY:

The draft would do the following: (i) increase the amount Commerce could commit in JDIG awards, (ii) modify and extend the JDIG program, (iii) rename the JDIG, One NC, One NC Small Business, and Site Infrastructure Development programs, (iv) modify the Utility Account, (v) modify qualification for single sales factor apportionment of income by qualified capital intensive corporations, (vi) recapture funds previously allocated for the Job Catalyst Fund (included in H1224 that was not enacted last year) and reallocate those funds for the Site Infrastructure Development Fund, (vii) extend the sales tax refund for sales tax paid on fuel by an interstate passenger air carrier in excess of $2.5M; and (viii) enact a sales tax exemption on sales of datacenter equipment and electricity located and used at the datacenter for datacenters investing at least $75M within a 5-year period.

ASSUMPTIONS AND METHODOLOGY:

PART I. JDIG MODIFICATIONS

Analysis and projections are informed by the current program structure. For sake of clarity and simplicity, this memo references the existing program title of “Job Development Investment Grant” (JDIG) throughout the document. However, it is noted that the proposed legislation renames the program to “Job Growth Reimbursement Opportunities- People Program” (Job GRO).

BACKGROUND:

Program Description: The current Job Development Investment Grant (JDIG) program provides a discretionary incentive offering sustained annual grants directly to new and expanding businesses statewide. The amount of the grant is calculated using a percentage (between 10 and 75%) of the personal income tax withholdings generated by the new employees hired by the business. Grant payments to a business occur only after the Department of Revenue verifies that the company has created jobs and generated withholdings pursuant to the JDIG agreement so as to be entitled to a disbursement. A JDIG agreement may be up to 12 years and is a binding obligation of the State; the General Assembly annually appropriates funds necessary to pay existing JDIG obligations (awards already committed); this amount is determined by Commerce's yearly April 1 funding study. A portion of JDIG payments to projects located in Tier 2 and 3 counties (15% and 25%, respectively) are redirected and allocated to the Utility Account for economic infrastructure grants to local governments in Tier 1 and 2 counties that are reasonably anticipated to create jobs.

Liability Cap: Current General Statutes require that the total amount paid out in any single grant year to all companies awarded a grant in the same calendar year (CY) cannot exceed $15 million; this cap translates to a maximum potential liability of $180 million over the maximum contract term of 12 years for a grant, for all businesses awarded a grant in the same calendar year.[1] Each new calendar year affords the JDIG program with a fresh award-making capacity (i.e. liability cap) from which to award new grants. In the event Commerce does not fully commit a year's liability cap, it may not be awarded in a subsequent year. Similarly, if a company whose award was granted under a prior year's liability cap withdraws or is terminated from the program, Commerce may not re-award that forgone portion of the liability cap.

Disbursement: Before funds are disbursed to the company the Department of Revenue certifies the company's reported withholdings and the absence of overdue tax debts.

Disbursements have consistently been less than the maximum due to a few factors (discussed in more detail under section titled "*Expenditures B. Potential Liability Based on Program Experience"*):

1. Commerce award practices: Given the gradual "ramp up" of new jobs by each company, the fact that most companies do not receive a full 12-year grant term, and that in several years of a grant cohort the annual maximum cap is not reached, the actual State liability is typically less than the maximum.

2. Company performance: Businesses are often not eligible for the full amount initially awarded to them due to failure to achieve 100% of the performance requirements.

Clawbacks: A clawback is a requirement that all or part of an economic development incentive be returned or forfeited if the recipient business does not fulfill its responsibilities under the incentive

[1] The General Assembly has occasionally increased the calendar year liability cap; the highest was an increase to $30 million in 2006. The standard statutory threshold is $15 million. However, in the 2013 Appropriation Act, the cap was modified to be $22.5 million for the FY 2013-15 Biennium and $7.5 million for July 1, 2015 to December 31, 2015. The authority to award new grants expires January 1, 2016.

law, contract, or both. For JDIG, a business must maintain operations at the project location for at least 150% of the term of the grant. Commerce is required to publish a report on clawbacks twice a year; as of October 2014, 9 JDIG awards had been clawed-back.

Annual Appropriations: General Fund appropriations pay for existing award commitments made under prior years' liability cap authority. To determine the amount needed to pay awards under contract in the following fiscal year's budget, the Department of Commerce submits an annual funding study by April 1 to the General Assembly and the Fiscal Research Division; this study also includes the maximum liability associated with active grants through their full terms (Commerce's 2014 Funding Study indicated a maximum liability of $753 million through CY 2027).

Commerce's funding study does not include future costs associated with awards yet to be made, or those that are authorized under the program's liability caps but which had not been awarded at the time of the study. For example, Commerce's 2014 Funding Study does not take into account the liability associated with the $7.5 million cap Commerce is authorized to use for the time period of July 1, 2015 through December 31, 2015; maximum total liability for that cap is $90 million ($7.5 million per year for 12 years).

Commerce determines the estimate for the following fiscal year's JDIG payments by accounting for metrics (job creation, average wage, and capital investment) recorded in companies' annual reports, which outline performance during the prior calendar year and are due to Commerce by March 1. Prior to FY 2013-14, the annual recurring appropriation for the JDIG program was $27.4 million. However, due to Commerce's projected growth of JDIG obligations, the recurring appropriation was subsequently set at $63 million. Per Commerce's 2014 Funding Study, if active grantees (those awarded as of March 2014) perform at maximum levels, additional nonrecurring funds will be necessary over the 2015-17 Biennium (payments continue for existing obligations through 2027; future grants to be made under the program will increase obligations):

Appropriation	**FY 2015-16**	**FY 2016-17**
Recurring	63,045,357	63,045,357
Nonrecurring	11,334,001	20,395,441
TOTAL	**74,379,358**	**83,440,798**

JDIG Fees: Application & Annual Reporting Fees: Companies applying for a JDIG must pay a fee of $10,000 (application fees were raised from $5,000 in 2013). Award recipients also submit performance reports by March 1, along with a reporting fee of the greater of $2,500 or 0.03% of an amount equal to the grant less the maximum amount to be transferred to the Utility Fund (The fee was changed from $1,500 in 2013). These fees are deposited into a special fund, used to support expenditures for Commerce administration of the program.

REVENUES & EXPENDITURES

REVENUES: GENERAL FUND & SPECIAL FUND

A. GENERAL FUND: Any projected increases in General Fund revenue due to future JDIG (Job GRO) grants have not been included in this analysis because the exact revenue is unknown for two reasons:

1. The State provides a JDIG (Job GRO) payment to a company based on the amount of personal income tax withholdings new employees will remit to the Department of Revenue. However, all or some part of withholdings may be refunded when these new employees file their tax returns.

2. Often the State expends additional General Funds to attract a JDIG (Job GRO) recipient to North Carolina (e.g. other State incentives, tax credits, and workforce grants). While Commerce *models* a cost-benefit analysis for each JDIG, to ensure that an awarded grant will provide a positive net effect on the State's General Fund o*ver the course of a grant's term*, the exact revenue impact on an annual fiscal year basis cannot be determined.

B. SPECIAL FUND

If an increase of the liability cap by $15M will yield 19 JDIG (Job GRO) applications (Between 2009 and 2013, an average of 19 awards were made annually under the calendar year cap of $15M) and generate an additional 11 years of subsequent annual reports per award at the minimum amount of $2,500 per report, then cumulative <u>JDIG (Job GRO) modifications yield $3,562,500 in special fund revenues through FY 2031-32</u>. (See Attachment A)

> Section 1.(a) increases the liability cap within the existing program by $15 million, yielding $712,500 in special fund revenue through FY 2027-28. This amount consists of the following: a) 19 JDIG (Job GRO) applications will yield $190,000 ($10,000 per application), and b) 19 annual reports at a minimum of $2,500 will yield $47,500 per year over the course of 11 years, accruing to $522,500.
>
> Section 1.(h) extends the program by four years, yielding $2.85 million in special fund revenue through FY 2031-32. This amount is determined by using the methodology for revenue generated in Section 1.(a) ($712,500) and multiplying it by four years.

EXPENDITURES: MAXIMUM LIABILITY & POTENTIAL LIABILITY BASED ON PROGRAM EXPERIENCE: In the following section, two analyses are provided, one which provides for maximum liability and one that is based on program experience.

A. MAXIMUM LIABILITY: If the maximum allowable amount is awarded in each grant year, companies achieve full performance, and the first payment is made during the subsequent first full fiscal year after the original award year, then <u>cumulative JDIG (Job GRO) modifications amount to a maximum potential liability of $900 million through FY 2031-32</u>. (See Attachment B)

Section 1.(a) increases the liability cap within the existing program by $15 million. Rather than having a FY 2013-15 Biennium cap of $22.5 million and a $7.5 million cap for the last six months of CY 2015, there would be one $45 million cap for the 30 month time period (July 1, 2013 to December 31, 2015). This cap increase translates to an additional maximum potential liability of $180 million over a 12-year grant period ($15 million per year for 12 years).

Section 1.(h) extends the program by four years (i.e. authority to grant new awards moves from January 1, 2016 to January 1, 2020). The total amount paid out in any single grant year to all companies awarded a grant in the same calendar year cannot exceed $15 million; this cap translates to a maximum potential liability of $180 million over a 12-year grant period for all businesses awarded a grant in the same calendar year. Multiplying $180 million by four years yields a potential liability of $720 million.

B. POTENTIAL LIABILITY BASED ON PROGRAM EXPERIENCE: Based on program experience, the State could expect to pay anywhere from $281 million to $739 million through FY 2031-32. This range is based on the following assumptions:

For the low-end projection:

a) Commerce awards 69% of maximum liability (commensurate with average of last 5 calendar years' experience); and
b) Companies perform at 45% (commensurate with historical program average). (See Attachment C)

For the high-end projection:

a) Commerce awards 89% of maximum liability (commensurate with CY 2013 practice); and
b) Companies perform proportionate to maximum pre-recession experience (92%). (See Attachment D)

Commerce Cap Utilization: Given the gradual "ramp up" of new jobs by each company, the fact that most companies do not receive a full 12-year grant term, and that in several years of a grant cohort the annual maximum cap is not reached, the actual State liability is typically less than the $180 million maximum. Over the past five years, the ratio of awards committed by Commerce to the authorized maximum liability has ranged from a low of 56% to a high of 89%, as depicted in the table below:

Time Frame	Authorized Cap (M)	Maximum Liability (M)	Commerce Awards (M)	% Utilized	$ Unutilized (M)
CY 2009	$15	$180	$120	67%	$60
CY 2010	$15	$180	$105	58%	$75
CY 2011	$15	$180	$101	56%	$79
CY 2012	$15	$180	$135	75%	$45
CY 2013	$15	$180	$161	89%	$19

Company Performance: In addition, companies are often not eligible for the full amount initially awarded to them due to failure to achieve 100% of the performance requirements. For example, companies forgo a year's grant payments for failure to achieve 80% compliance with the minimum requirements, based on a weighted average of performance factors, and may receive a pro-rated payment for compliance between 80% and 100%. At certain points of non-compliance, a company may lose its grant entirely. Of the 201 grants that have been awarded (program inception through calendar year 2014), 73 awards (36%) with an associated value of $409 million have been terminated or withdrawn, as shown in the table below:

JDIG Awards 2003-2014		
Award Year	**Terminated/Withdrawn**	**Total Grant Amount**
2003	4	$30,227,331
2004	10	$51,525,141
2005	9	$41,030,000
2006	13	$58,612,000
2007	11	$72,166,000
2008	11	$93,979,975
2009	4	$13,956,000
2010	3	$15,290,000
2011	7	$25,095,000
2012	0	$0
2013	1	$7,138,000
Grand Total	**73**	**$409,019,447**

Given this context, disbursements have consistently been less than the maximum liability.

The ratio of payment to liability has ranged from a low of 32% to a high of 86% for all JDIGs assessed and compensated for a particular year of performance. Further, performance by companies in one grant year cohort within one year of a grant term ranges from a low of 6% to a high of 92%.

JDIG Awards 2003-2012										
Grant Year Awarded	Performance Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	Ratio of Payment to Liability									
2003	36%	80%	85%	67%	64%	41%	44%	36%	23%	23%
2004		92%	90%	88%	84%	69%	53%	53%	52%	53%
2005			40%	39%	45%	25%	28%	21%	29%	27%
2006				57%	74%	70%	45%	44%	27%	63%
2007					40%	29%	15%	6%	32%	34%
2008						30%	10%	12%	10%	16%
2009							40%	43%	67%	63%
2010								19%	67%	77%
2011									39%	48%
2012										45%
Average	**36%**	**82%**	**86%**	**74%**	**72%**	**55%**	**37%**	**32%**	**36%**	**47%**

Overall performance has averaged 45%, but it is unlikely that companies receiving awards in an improving economy will replicate the performance of JDIG recipients during the Great Recession. Commerce's most recent annual JDIG report, submitted September 2014, noted that for performance in calendar year 2012, payments were made to active grantees (which excludes terminated or withdrawn awards) for 83% of total liability.

Ultimately, the exact fiscal impact of JDIG (Job GRO) modifications is unknown due to the following variables:

a) the extent to which Commerce utilizes the maximum liability cap authority,
b) how well a company will perform in any particular year of an agreement, and
c) the impact a "normal" business cycle will have on the program; experience to-date has been through the Great Recession.

PART II. ONE NC MODIFICATIONS

The bill modifies the name of the program; <u>there will be no fiscal impact to the State.</u>

PART III. SITE INFRASTRUCTURE DEVELOPMENT FUNDING

Transfers $20M of funds appropriated to the Department of Commerce for the Job Catalyst Fund to the Site Infrastructure Development Fund (SIDF; renamed the Site Acceleration Fund). Since authorizing legislation for the Job Catalyst Fund did not pass, the $20M, if not transferred in this fashion to the SIDF, would not have been allotted for expenditure.

PART III-A. INDUSTRIAL DEVELOPMENT FUND UTILITY ACCOUNT MODIFICATIONS

The bill modifies the program to allow for job retention; <u>there will be no fiscal impact to the State.</u>

PART IV. SINGLE SALES FACTOR MODIFICATION

Modifies the criteria for single sales factor apportionment eligibility as a "qualified capital intensive corporation." <u>The fiscal impact is unknown</u> because it is not known if a taxpayer will meet the criteria for being classified as a "qualified capital intensive corporation" due to the modifications. Additionally, if a taxpayer could be identified that qualified due to the modifications, the taxpayer would need to provide information including future projections of income and franchise tax base, and annual projections of the percentage of property, payroll, and sales located in North Carolina beginning with the year the Secretary of Commerce makes the required written determination to be able to provide an estimate of the fiscal impact.

PART V. EXTEND SALES TAX REFUND FOR PASSENGER AIR CARRIERS

G.S. 105-164.14A(a)(1) allows any interstate passenger air carrier to receive a refund on the State sales and use taxes over $2.5 million that it pays on fuel. This statute expires for purchases made on or after January 1, 2016; the proposal extends the tax benefit for four years, so that it would expire for purchases made on or after January 1, 2020.

The North Carolina Department of Revenue (DoR) requires tax filers who request refunds under G.S. 105-164.14A(a)(1) to do so by December 31st for the prior fiscal year (i.e., the refund request must be submitted by the December 31st following the close of the fiscal year on June 30th). Under the current sunset date, DoR will receive final refund requests by December 31, 2016, and these requests will represent up to six months of tax expenditures for the period July 1 – December 31, 2015. Consequently, Fiscal Research estimates that the cost of extending the sunset would equal six months of foregone revenue in FY 2016-17, twelve months in each of the next three fiscal years, and a final 6 months of foregone revenue in FY 2020-21.

According to DoR's 2013 Tax Expenditure Report, the exemption cost an estimated $10.0 million in foregone revenue FY 2014-15. Fiscal Research has estimated the subsequent years' foregone revenue by inflating the base amount by the projected inflation rate for fuel oils.

Extend Passenger Air Carrier Refund for 4 Years	
Fiscal Year	**Revenue Foregone ($ in m)**
FY 2015-16	-
FY 2016-17	(5.5)
FY 2017-18	(11.5)
FY 2018-19	(11.9)
FY 2019-20	(12.3)
FY 2020-21	(6.3)
Total	**($47.4)**

PART VI. DATACENTER INFRASTRUCTURE ACT

Background

The North Carolina General Statutes exempt from State and local sales tax electricity and eligible business property sold to or used by eligible computing datacenters (G.S. 105-164.13(55)). An eligible datacenter is defined in G.S. 105-164.3(8e) as a datacenter that satisfies the following conditions:

a. The facility is used primarily or is to be used primarily by a business engaged in software publishing… included in industry 511210 of NAICS or an Internet activity included in industry 519130 of NAICS.

b. The facility is comprised of a structure or series of structures located or to be located on a single parcel of land or on contiguous parcels of land that are commonly owned or owned by affiliation with the operator of that facility.

c. The facility is located or to be located in a county that was designated, at the time of application for the written determination required under sub-subdivision d. of this subdivision, either an enterprise tier one, two, or three area or a development tier one or two area pursuant to G.S. 105-129.3 or G.S. 143B-437.08, regardless of any subsequent change in county enterprise or development tier status.

d. The Secretary of Commerce determined that at least $250 million in private funds has been or will be invested in real property or eligible business property, or a combination of both, at the facility within five years after the commencement of construction of the facility.

The Department of Revenue estimates that under the current exemption summarized above, an estimated $13.5 million in sales tax revenue was foregone in FY 2014-15, although neither the Fiscal Research Division (FRD) nor the Department of Revenue can know how many of the eligible datacenters would have located in other states but for this sales tax exemption.

Proposal

The bill draft proposes that "sales of electricity for use at a qualifying datacenter and datacenter support equipment to be located and used at the qualifying datacenter" be exempt from North Carolina State and local sales taxes. A qualifying datacenter is defined in the draft as property that is capitalized for tax purposes and is used for at least one of several purposes outlined in the draft, including for hardware and software for distributed and mainframe computers and servers, data storage devices, network connectivity equipment, and peripheral components and equipment. Also, to qualify, the datacenter must meet specified wage standards and health insurance requirements, and the Secretary of Commerce must determine that at least $75 million in private funds has been or will be invested by one or more owners, users, or tenants of the datacenter within five years [of the date the owner, user, or tenant of the datacenter makes its first real or tangible property investment in the datacenter on or after January 1, 2012].

Potential Cost

If a corporation establishes a new qualifying datacenter that meets bill's specifications, the proposed sales tax exemption would reduce State and local sales tax revenue from levels that might otherwise be achieved.

Though not identical, the proposed exemption with a $75 million spending threshold is similar in scope to the current exemption with a $250 million spending threshold. FRD believes that in many instances, a qualifying datacenter under the new language that spent over $250 million within 5 years would also be likely to meet the criteria of a "eligible datacenter" currently in statute. Consequently, in most instances, FRD considers the cost of the draft language to be the exemption's cost for datacenters spending between $75 million and $250 million within the specified time period.

However, there is not sufficient information available to estimate the number of qualifying datacenters that might locate in North Carolina if the bill becomes law. More significantly, there is not adequate data and evidence to allow FRD to determine whether any new qualifying datacenter in North Carolina would have located in the State without the proposed bill language. Therefore, no estimate is available.

FRD has contacted corporations and industry groups associated with datacenter development and has received some information on potential expenditures that would be tax exempt under the proposed bill. The information is proprietary and was provided on a confidential/ background basis. Fiscal Research continues to seek additional similar information from corporation within the datacenter industry; if enough information is obtained, FRD can aggregate the data and update this memorandum with more specific per-datacenter cost estimates.

SOURCES OF DATA: Department of Commerce; North Carolina Department of Revenue Biennial Tax Expenditure Report, 2013; Moody's Analytics

TECHNICAL CONSIDERATIONS: None

Attachment A
Fiscal Analysis of Changes to the Job Development Investment Grant (JDIG) Program
Special Fund Revenue

Special Fund Revenue - Fees associated with new applications ($10,000) and annual grantee reports (greater of $2,500 or .03% of total grant award less portion transferred to the Utility Account)
Assumption- For every $15 M cap increase, there will be 19 JDIG applications and an associated 11 years of annual reporting (Between 2009 and 2013, an average of 19 awards were made annually under the calendar year cap of $15M).

Part I - Section 1.(a) Increase Maximum Cap
Part I - Section 1.(h) Extend the Sunset Date 4 Years (From January 1, 2016 to January 1, 2020)

Part I - Section 1.(a) - Increase Maximum Cap to $45,000,000 for July 1, 2013 to Dec 31, 2015 (Increase of $15,000,000 per year for 12 years)

Grant Year	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Additional Annual Amount	$ 190,000	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500
Cumulative Amount	**$ 190,000**	**$ 237,500**	**$ 285,000**	**$ 332,500**	**$ 380,000**	**$ 427,500**	**$ 475,000**	**$ 522,500**	**$ 570,000**	**$ 617,500**	**$ 665,000**	**$ 712,500**

Part I - Section 1.(h) - Extend the Sunset Date by Four Years

Grant Year	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
2016 Awards		$ 190,000	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500			
2017 Awards			$ 190,000	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500		
2018 Awards				$ 190,000	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	
2019 Awards					$ 190,000	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500	$ 47,500
Cumulative Amount	**$ -**	**$ 190,000**	**$ 427,500**	**$ 712,500**	**$1,045,000**	**$1,235,000**	**$1,425,000**	**$1,615,000**	**$1,805,000**	**$1,995,000**	**$2,185,000**	**$2,375,000**	**$2,565,000**	**$2,707,500**	**$2,802,500**	**$2,850,000**

Total Potential Special Fund Revenue **$3,562,500**

Attachment B
Fiscal Analysis of Changes to the Job Development Investment Grant (JDIG) Program
Maximum Liability

Part I - Section 1.(a) Increase Maximum Cap
Part I - Section 1.(h) Extend the Sunset Date 4 Years (From January 1, 2016 to January 1, 2020)

Part I - Section 1.(a) - Increase Maximum Cap to $45,000,000 for July 1, 2013 to Dec 31, 2015 (Increase of $15,000,000 per year for 12 years)*

Grant Year	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Additional Annual Amount	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000
Cumulative Amount	**$ 15,000,000**	**$ 30,000,000**	**$ 45,000,000**	**$ 60,000,000**	**$ 75,000,000**	**$ 90,000,000**	**$ 105,000,000**	**$ 120,000,000**	**$ 135,000,000**	**$ 150,000,000**	**$ 165,000,000**	**$ 180,000,000**

* Assumes the additional maximum amount of $15,000,000 will be awarded and that first payments will begin in 2016-17.

Part I - Section 1.(h) - Extend the Sunset Date by Four Years**

Grant Year	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
2016 Awards		$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000			
2017 Awards			$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000		
2018 Awards				$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	
2019 Awards					$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000
Cumulative Amount	**$ -**	**$ 15,000,000**	**$ 45,000,000**	**$ 90,000,000**	**$ 150,000,000**	**$ 210,000,000**	**$ 270,000,000**	**$ 330,000,000**	**$ 390,000,000**	**$ 450,000,000**	**$ 510,000,000**	**$ 570,000,000**	**$ 630,000,000**	**$ 675,000,000**	**$ 705,000,000**	**$ 720,000,000**

** Estimate based on existing maximum cap of $15,000,000 allowing for payments to be made up to 12 years following the first year of payment; assuming first payment is made during the subsequent full fiscal year after the award year.

Total Maximum Liability Impact **$ 900,000,000**

Attachment C
Fiscal Analysis of Changes to the Job Development Investment Grant (JDIG) Program
Program Experience: Feasible Low-End Cost Projection

Part I - Section 1.(a) Increase Maximum Cap
Part I - Section 1.(h) Extend the Sunset Date 4 Years (From January 1, 2016 to January 1, 2020)

Part I - Section 1.(a) - Increase Maximum Cap to $45,000,000 for July 1, 2013 to Dec 31, 2015 (Increase of $15,000,000 per year for 12 years)

Grant Year	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
IF												
a) Commerce awards 69% of the $180M maximum liability (commensurate with average of last 5 calendar years' experience);	$ 8,500,000	$ 10,000,000	$ 11,500,000	$ 13,000,000	$ 13,500,000	$ 13,500,000	$ 13,500,000	$ 13,000,000	$ 10,000,000	$ 8,500,000	$ 5,000,000	$ 5,000,000
AND												
b) Companies perform at 45% (commensurate with historical program average)	**$ 3,825,000**	**$ 4,500,000**	**$ 5,175,000**	**$ 5,850,000**	**$ 6,075,000**	**$ 6,075,000**	**$ 6,075,000**	**$ 5,850,000**	**$ 4,500,000**	**$ 3,825,000**	**$ 2,250,000**	**$ 2,250,000**
Cumulative Amount	**$ 3,825,000**	**$ 8,325,000**	**$ 13,500,000**	**$ 19,350,000**	**$ 25,425,000**	**$ 31,500,000**	**$ 37,575,000**	**$ 43,425,000**	**$ 47,925,000**	**$ 51,750,000**	**$ 54,000,000**	**$ 56,250,000**

Part I - Section 1.(h) - Extend the Sunset Date by Four Years (using assumptions above)

Grant Year	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
2016 Awards		$ 3,825,000	$ 4,500,000	$ 5,175,000	$ 5,850,000	$ 6,075,000	$ 6,075,000	$ 6,075,000	$ 5,850,000	$ 4,500,000	$ 3,825,000	$ 2,250,000	$ 2,250,000			
2017 Awards			$ 3,825,000	$ 4,500,000	$ 5,175,000	$ 5,850,000	$ 6,075,000	$ 6,075,000	$ 6,075,000	$ 5,850,000	$ 4,500,000	$ 3,825,000	$ 2,250,000	$ 2,250,000		
2018 Awards				$ 3,825,000	$ 4,500,000	$ 5,175,000	$ 5,850,000	$ 6,075,000	$ 6,075,000	$ 6,075,000	$ 5,850,000	$ 4,500,000	$ 3,825,000	$ 2,250,000	$ 2,250,000	
2019 Awards					$ 3,825,000	$ 4,500,000	$ 5,175,000	$ 5,850,000	$ 6,075,000	$ 6,075,000	$ 6,075,000	$ 5,850,000	$ 4,500,000	$ 3,825,000	$ 2,250,000	$ 2,250,000
Cumulative Amount	**$ -**	**$ 3,825,000**	**$ 12,150,000**	**$ 25,650,000**	**$ 45,000,000**	**$ 66,600,000**	**$ 89,775,000**	**$ 113,850,000**	**$ 137,925,000**	**$ 160,425,000**	**$ 180,675,000**	**$ 197,100,000**	**$ 209,925,000**	**$ 218,250,000**	**$ 222,750,000**	**$ 225,000,000**

Total Min Impact Base on Program Experience **$ 281,250,000**

Attachment D
Fiscal Analysis of Changes to the Job Development Investment Grant (JDIG) Program
Program Experience: Feasible High-End Cost Projection

Part I - Section 1.(a) Increase Maximum Cap
Part I - Section 1.(h) Extend the Sunset Date 4 Years (From January 1, 2016 to January 1, 2020)

Part I - Section 1.(a) - Increase Maximum Cap to $45,000,000 for July 1, 2013 to Dec 31, 2015 (Increase of $15,000,000 per year for 12 years)

Grant Year	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
IF a) Commerce awards 89% of maximum liability (commensurate with CY 2013 practice); AND	$ 9,316,000	$13,536,000	$14,401,000	$ 14,969,000	$ 14,996,000	$ 14,996,000	$ 14,853,000	$ 14,553,000	$ 13,930,000	$ 12,292,000	$ 11,485,000	$ 11,321,000
b) Companies perform commensurate with maximum pre-recession experience (92%)	**$ 8,570,720**	**$12,453,120**	**$13,248,920**	**$ 13,771,480**	**$ 13,796,320**	**$ 13,796,320**	**$ 13,664,760**	**$ 13,388,760**	**$ 12,815,600**	**$ 11,308,640**	**$ 10,566,200**	**$ 10,415,320**
Cumulative Amount	**$ 8,570,720**	**$21,023,840**	**$34,272,760**	**$ 48,044,240**	**$ 61,840,560**	**$ 75,636,880**	**$ 89,301,640**	**$102,690,400**	**$ 115,506,000**	**$ 126,814,640**	**$ 137,380,840**	**$ 147,796,160**

Part I - Section 1.(h) - Extend the Sunset Date by Four Years (using assumptions above)

Grant Year	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
2016 Awards		$ 8,570,720	$ 12,453,120	$ 13,248,920	$ 13,771,480	$ 13,796,320	$ 13,796,320	$ 13,664,760	$ 13,388,760	$ 12,815,600	$ 11,308,640	$ 10,566,200	$ 10,415,320			
2017 Awards			$ 8,570,720	$ 12,453,120	$ 13,248,920	$ 13,771,480	$ 13,796,320	$ 13,796,320	$ 13,664,760	$ 13,388,760	$ 12,815,600	$ 11,308,640	$ 10,566,200	$ 10,415,320		
2018 Awards				$ 8,570,720	$ 12,453,120	$ 13,248,920	$ 13,771,480	$ 13,796,320	$ 13,796,320	$ 13,664,760	$ 13,388,760	$ 12,815,600	$ 11,308,640	$ 10,566,200	$ 10,415,320	
2019 Awards					$ 8,570,720	$ 12,453,120	$ 13,248,920	$ 13,771,480	$ 13,796,320	$ 13,796,320	$ 13,664,760	$ 13,388,760	$ 12,815,600	$ 11,308,640	$ 10,566,200	$ 10,415,320
Cumulative Amount	**$ -**	**$ 8,570,720**	**$29,594,560**	**$ 63,867,320**	**$111,911,560**	**$165,181,400**	**$219,794,440**	**$274,823,320**	**$ 329,469,480**	**$ 383,134,920**	**$ 434,312,680**	**$ 482,391,880**	**$ 527,497,640**	**$ 559,787,800**	**$ 580,769,320**	**$ 591,184,640**

Total High-End Impact Based on Program Experience **$ 738,980,800**

GENERAL ASSEMBLY OF NORTH CAROLINA

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